

Fundamentals and Issues of Public-Private Partnerships (PPPs)

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What is NCPPP?

- Membership
 - Public and Private
- Partnerships range from:
 - Outsourcing
 - Public-Private Partnerships
 - Privatization
- OUR FOCUS = Public-Private Partnerships
 - “Joint Ventures”
 - “Collaborative Enterprise”
- **NOT “Privatization”**
 - Difference = The level of public control & oversight





OBJECTIVE

To provide a framework for today's discussions

To illustrate that Public-Private Partnerships (PPPs) are:

- **Not revolutionary**
 - Used in a number of infrastructure sectors
 - Over 200 years of experience in the US
 - First ones for transportation
 - More widely used in other countries
 - Europe, Asia, Latin America, etc.
- **Don't answer all challenges**
- **Does provide a valuable tool**



WHAT IS A PPP?

A Public-Private Partnership is a **contractual agreement** between a **public agency** (federal, state or local) and a **private sector entity**. Through this agreement, the **skills and assets** of each sector (public and private) **are shared** in delivering a service or facility for the use of the general public. In addition to the sharing of resources, **each party shares in the risks and rewards** potential in the delivery of the service and/or facility.

source: www.ncpppp.org



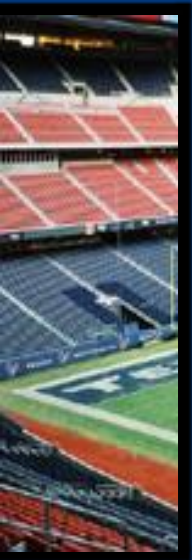


Sectors Where PPPs Have Been Used

THE EXPERIENCE IS TRANSFERABLE

“Lessons learned from one . . .”

- Transportation
- Water/Wastewater
- Urban Development
- Utilities
- Financial Management
- Schools





Each Sector's Strengths

The Private Sector

▪ THE RESULT OF MARKET COMPETITION

- Management Efficiency
- Newer Technologies
- Workplace Efficiencies
- Cash Flow Management
- Personnel Development
- Shared Resources (Money?)

The Public Sector

▪ THE RESULT OF SERVING THE PUBLIC TRUST

- Legal Authority
- Protection of Procurement Policies
- Broad prospective/balance the competing goals to meet public needs
- Personnel – dedicated but constrained
- Capital resources



Successful Partnerships



The Secret is to Balance
the Strengths of Both
Sectors





Advantages of PPPs

- Maximizes the use of each sector's strength
- Reduces development risk
- Reduces public capital investment
- Mobilizes excess or underutilized assets
- Improves efficiencies/quicker completion
- Better environmental compliance
- Improves service to the community
- Improves cost effectiveness
- Shares resources
- Shares / allocates risks
- Mutual rewards



Case Studies at www.ncpppp.org



- Transportation
- Water / Wastewater
- Financial Management
- Real Estate / Economic Development
- Public Safety
- Social Programs
- Education





Six Keys to Successful PPPs

- **Statutory and Political Environment**
- **Organized Structure**
- **Detailed Business Plan**
- **Guaranteed Revenue Stream**
- **Stakeholder Support**
- **Pick Your Partner Carefully**





Managing for Success – Six Keys

Component One:

The Environment

- Statutory authority and regulations
- Political leadership must be in place
 - Leading Political Figure
 - Top Administrative Officials
 - “The Will to Change the System”
 - A Strong Policy Statement



Managing for Success – Six Keys

Component Two:

Organizational Structure

- Dedicated group (tied to the purpose of the partnership)
- Dedicated and TRAINED personnel to monitor implementation
- Examples: TXDOT, VDOT, PPP Centrum, Partnerships UK, Irish Government's Central PPP Unit
- Best Value vs. Lowest Price
 - Difficult to Administer but...
- Need for Good Governance
 - To assure an open and fair procurement process
 - Consolidate staff = easier to monitor
 - Independent authority (domestic/internal or international)



Managing for Success – Six Keys

Component Three: **Detailed Business Plan** **a.k.a. Enforceable Contract**

- Performance goal oriented - Allow for innovative plans
- Best Value vs. Lowest Price
- Plan/Contract should include:
 - Specific milestones and goals
 - Reporting of metrics and frequency
- Risk Allocation
 - Shift to the private sector can raise costs
 - Identify best prices to retain, which to shift
- Dispute Resolution Methodology
- Workforce Development?
 - Develop in-country resources/small businesses





Managing for Success – Six Keys

Component Four:

Guaranteed Revenue Stream

- Funds to Cover the Long-Term Financing
 - Tolls/Fees (real or shadow)
 - Intelligent transportation systems
 - TIF or other form of a Tax District
 - Long-Term Maintenance Contracts
 - Availability Payments
 - Underutilized Assets
 - Concession Model (limited application)
 - Creative Approaches



Managing for Success – Six Keys

Component Five: **Stakeholder Support**

- Public Sector Employees
- Private Sector
- Labor Unions
- End Users
- Competing Interests
- Requires:
 - Open and frank discussion between sectors
 - Knowing the FACTS (not myths)
 - Translating each other's language





Managing for Success – Six Keys

Component Six:

Pick Your Partner Carefully

- This is a long-term relationship
 - Verify experience (technical capability)
 - Verify financial capability
 - Best Value vs. Lowest Price
- Remember each sector's motivation
 - Genuine need (market value to the project)
 - Political / statutory environment
 - Reasonable return on investment and manageable risks
 - Timely and effective execution vs. development costs





Managing for Success

The Most Critical is
Component One:

Strong **LEADERSHIP** makes
all the other factors
come together

Need Help?

www.ncpppp.org

Case Studies, Fundamentals of
Partnerships, Issue Papers,
Publications, Resources



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